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GOVERNMENT REFORM AND SAVINGS ACT OF 1993

NOVEMBER 15, 1993.—Ordered to be printed

Mr. MINETA, from the Committee on Public Works and Transportation, submitted the following

REPORT

[To accompany H.R. 3400 which on October 28, 1993, was referred jointly to the following committees for a period ending not later than November 15, 1993: Agriculture, Armed Services, Banking, Finance and Urban Affairs, Education and Labor, Energy and Commerce, Foreign Affairs, Government Operations, House Administration, the Judiciary, Merchant Marine and Fisheries, Natural Resources, Permanent Select Committee on Intelligence, Post Office and Civil Service, Public Works and Transportation, Science, Space, and Technology, Veterans' Affairs, and Ways and Means]

The Committee on Public Works and Transportation, to whom was referred the bill (H.R. 3400) to provide a more effective, efficient, and responsive government, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 16, line 20, strike "Notwithstanding any other provision of law, the" and insert "(a) DEVELOPMENT OF PLAN.—The".

Page 16, line 21, after "shall" insert "develop a plan to".

Page 17, after line 3, insert the following:

(b) TRANSMITTAL AND APPROVAL OF PLAN.—The Secretary of the Army shall transmit to Congress the plan developed under subsection (a) for approval. The Secretary shall not implement such plan until it is approved by Congress.

Page 119, line 15, strike "by".

Page 119, strike line 16 and insert the following:

(1) in subsection (a) by striking paragraph (2) and inserting the following:

Page 119, line 22, after "\$200" insert the following:

unless such point is more than 210 miles from the nearest large or medium hub airport

Page 119, line 24, strike "hub airport or small" and insert "large or medium".

Page 120, strike line 1 and insert the following:

(2) in subsection (1) by striking paragraph (2) and inserting the following:

Page 120, strike lines 5 through 9 and insert the following:

section \$33,423,077 per fiscal year for each of fiscal years 1994 through 1999.

Page 120, line 20, insert "(a) REPEAL.—" before "All authority".

Page 121, after line 12, insert the following new subsection:

(b) LIMITATION.—Subsection (a) shall not affect the authority of the Secretary to enter into grant agreements with universities, colleges, or institutions of higher education to obligate funds appropriated for fiscal years ending before October 1, 1993, which have not been rescinded.

Page 121, strike lines 13 through 22 and insert the following:

SEC. 11202. COLLEGIATE TRAINING INITIATIVE.

(a) IN GENERAL.—Section 313(d) of the Federal Aviation Act of 1958 (49 U.S.C. App. 1354(d)) is amended—

(1) by striking the subsection heading and all that follows through "The Administrator" and inserting the following:

"(d) TRAINING SCHOOLS.—

"(1) IN GENERAL.—The Administrator";

(2) by moving the text of paragraph (1), as so designated, 2 ems to the right; and

(3) by adding at the end the following:

"(2) COLLEGIATE TRAINING INITIATIVE.—

"(A) CONTINUATION.—The Administrator of the Federal Aviation Administration may continue the Collegiate Training Initiative program, by entering into new agreements, with post-secondary institutions, as defined by the Administrator, whereby such institutions, without cost to the Federal Aviation Administration, prepare students for the position of air traffic controller with the Department of Transportation, as defined in section 2109 of title 5, United States Code.

"(B) STANDARDS.—The Administrator may establish standards for the entry of institutions into such program and for their continued participation in it.

"(C) APPOINTMENT IN EXCEPTED SERVICE.—The Administrator may appoint persons who have successfully completed a course of training in such program to the position of air traffic controller noncompetitively in the excepted service, as defined in section 2103 of title 5, United States

Code. Persons so appointed shall serve at the pleasure of the Administrator, subject to section 7511 of such title (pertaining to adverse actions). However, an appointment under this subparagraph may be converted from one in the excepted service to a career conditional or career appointment in the competitive civil service, as defined in section 2102 of such title when the incumbent achieves full performance level air traffic controller status, as determined by the Administrator. The authority conferred by this subparagraph to make new appointments in the excepted service shall expire at the end of 5 years from the date of the enactment of this subparagraph; except that the Administrator may determine to extend such authority for 1 or more successive 1-year periods thereafter."

(b) CONFORMING AMENDMENT.—Section 362 of the Department of Transportation and Related Agencies Appropriations Act, 1993 (106 Stat. 1560) is repealed.

(c) LIMITATION.—The repeal and the amendments made by this section shall not prohibit the expenditure of funds appropriated for fiscal years ending before October 1, 1994.

Page 122, strike lines 1 through 4.

Page 122, after line 4, insert the following:

Subtitle D—Capital Budgeting

SEC. 11301. STATEMENT OF FINDING AND PURPOSES.

(a) STATEMENT OF FINDING.—Congress finds that the existing budget obscures the distinctions between capital activities and operating activities and between general funds, trust funds, and enterprise funds, so as to hinder identification of the resources needed to meet the needs of the Government and the investment needs of the economy that are necessary for sustained economic growth.

(b) PURPOSES.—The purposes of this subtitle are as follows:

(1) To provide that the unified budget present a capital budget and an operating budget and distinguish between general funds, trust funds, and enterprise funds, in order to provide better and more relevant information on the revenues, expenses, and financing requirements of Government programs and activities.

(2) To implement that part of the Report of the National Performance Review that recommends that the Government ensure that there is no budget bias against long-term investments and contains the following statement: "The budget should recognize the special nature and long-term benefits of investments in fixed assets through a separate capital budget, operating budget, and cash budget. The separate capital budget will explicitly show expenditures on fixed as-

sets, and will help to steer our scarce resources toward the most economical means of acquisition of the most needed assets.”.

SEC. 11302. CAPITAL AND OPERATING BUDGET FOR FISCAL YEARS 1996 AND 1997.

(a) UNIFIED BUDGET.—

(1) **IN GENERAL.**—For fiscal years 1996 and 1997, in addition to the budget of the United States to be submitted under existing law, the President shall submit a unified budget of the United States composed of an operating budget and a capital budget.

(2) **PRESENTATION OF BUDGETS.**—Operating and capital budgets shall be presented separately for unified funds, general funds, trust funds, and enterprise funds.

(b) SPECIAL RULES.—

(1) **MINIMUM CONTENTS.**—Actual, estimated, and proposed amounts shall be presented for unified funds, general funds, trust funds, and enterprise funds, and, at a minimum, shall contain—

(A) for the operating budget the following: (i) operating revenues, (ii) operating expenses, (iii) operating surplus/deficit before interfund transfers, (iv) interfund transfers, (v) operating surplus/deficit, and (vi) Federal expenditures financing the operating expenses of State and local governments;

(B) for the capital budget the following: (i) capital revenues, (ii) capital investments, (iii) capital financing requirements before interfund transfers, (iv) interfund transfers, and (v) capital financing requirements; and

(C) unified budget financing requirements.

(2) **DISTINCTION BETWEEN CAPITAL AND OTHER ITEMS.**—The capital budget shall represent only the major activities, projects, and programs which support the acquisition, construction, alteration, and rehabilitation of capital assets. All other activities, projects, and programs shall be represented in the operating budget.

(c) **PRESIDENTIAL RESPONSIBILITY.**—In addition to the unified budget submitted by the President as required by subsections (a) and (b) of this section, the President shall present information in the form required by subsection (b)(1) for accounts, agencies, and functions, to the extent applicable, the capital investments by State and local governments not financed by the Federal Government.

(d) **DEFINITIONS.**—In this section, the following definitions apply:

(1) **UNIFIED BUDGET.**—The term “unified budget” means a budget in which revenues and expenses for general funds, trust funds, and enterprise funds are consolidated to display totals for the Federal Government as a whole.

(2) TRUST FUNDS.—The term “trust funds” means—

- (A) the Federal Old-Age and Survivors Insurance Trust Fund,
- (B) the Federal Hospital Insurance Trust Fund,
- (C) the Civil Service Retirement and Disability Fund,
- (D) the Military Retirement Fund,
- (E) the Federal Supplementary Medical Insurance Trust Fund,
- (F) the Unemployment Trust Fund,
- (G) the Federal Disability Insurance Trust Fund,
- (H) the Highway Trust Fund,
- (I) the Airport and Airway Trust Fund, and
- (J) such other funds or accounts of the Government that the Director of the Office of Management and Budget, in consultation with the Comptroller General, determines should be classified as trust funds in order to fulfill the purpose of this section.

(3) ENTERPRISE FUNDS.—The term “enterprise funds” means—

- (A) the Postal Service,
- (B) the Resolution Trust Corporation,
- (C) the Federal Deposit Insurance Corporation Fund,
- (D) the Federal Housing Administration,
- (E) the Tennessee Valley Authority Fund,
- (F) the Bonneville Power Administration Fund,
- (G) the Rural Electrification and Telephone Revolving Loan Fund,
- (H) the Export-Import Bank of the United States,
- (I) the Southeastern Power Administration,
- (J) the Southwestern Power Administration,
- (K) the Western Area Power Administration,
- (L) the Alaska Power Administration,
- (M) the Overseas Private Investment Corporation,
- (N) the St. Lawrence Seaway Development Corporation,
- (O) the Rural Telephone Bank,
- (P) the Pension Benefit Guaranty Corporation, and

(Q) such other funds or accounts of the Government that the Director of the Office of Management and Budget, in consultation with the Comptroller General, determines should be classified as enterprise funds in order to fulfill the purpose of this section.

(4) GENERAL FUNDS.—The term “general funds” includes all accounts of the Government that are not trust funds or enterprise funds.

(5) **UNIFIED FUNDS.**—The term “unified funds” means general funds, trust funds, and enterprise funds and represents the unified budget.

(6) **CAPITAL ASSETS.**—The term “capital assets” means physical assets and financial assets but does not include consumable inventories.

(7) **PHYSICAL ASSETS.**—The term “physical assets” means tangible assets (other than assets used for national defense or security)—

(A) the ownership of which is or will be in the public domain;

(B) that produce services or benefits for more than 5 years; and

(C) that have an initial cost equal to or more than \$100,000.

Such term includes, but is not limited to, roadways and bridges; airports and airway facilities; mass transportation systems; wastewater treatment, water distribution delivery, and related facilities; water resource projects; medical facilities; resource recovery facilities; public structures; space and communication facilities; and strategic petroleum reserves and mineral stockpiles.

(8) **FINANCIAL ASSETS.**—The term “financial assets” means interests of the Federal Government in, and claims of the Federal Government against, foreign governments, States and their political subdivisions, corporations, associations, and individuals and their resources which are represented by a legal instrument (such as bonds, debentures, notes, and other securities), less any credit subsidy costs attributable to such financial assets.

(9) **CREDIT SUBSIDY COSTS.**—The term “credit subsidy costs” means the losses incurred by the Federal Government as a result of its direct and guaranteed loans, including such costs as interest and default.

(10) **CONSUMABLE INVENTORIES.**—The term “consumable inventories” means tangible assets of the Federal Government, including stockpiles, supplies, and inventories, which typically are consumed within 5 years or which have an initial price less than \$100,000.

(11) **OPERATING REVENUES.**—The term “operating revenues” means all receipts of the Federal Government, other than those identified in paragraph (17), including profits and interest earned on financial assets.

(12) **OPERATING EXPENSES.**—The term “operating expenses” means all expenses of the Federal Government, other than those identified in paragraph (18), including interest payments on debts, asset consumption charge, and credit subsidy costs.

(13) **OPERATING SURPLUS/DEFICIT BEFORE INTERFUND TRANSFERS.**—The term “operating surplus/deficit be-

fore interfund transfers” means the difference between operating revenues and operating expenses before interfund transfers.

(14) **INTERFUND TRANSFERS.**—The term “interfund transfers” means the flow of revenues between general and enterprise funds and trust funds accounts that are expenses from the account making the payments and revenues to the account receiving the payments.

(15) **OPERATING SURPLUS/DEFICIT.**—The term “operating surplus/deficit” means the operating surplus/deficit before interfund transfers plus or minus interfund transfers.

(16) **ASSET CONSUMPTION CHARGE.**—The term “asset consumption charge” means the systematic and rational allocation of the cost—historical, replacement, or current value—of a physical asset (having a useful life of more than 5 years) financed by the appropriation accounts for which the capital budget required by this section applies.

(17) **CAPITAL REVENUES.**—The term “capital revenues” means receipts of the Federal Government derived from taxes, collections, and receipts dedicated by statute, for the rehabilitation of capital assets which relate to the activities, functions, and programs represented by the capital budget.

(18) **CAPITAL INVESTMENTS.**—The term “capital investments” means (A) expenditures of the Federal Government, including those under grants, contracts, and leases, which are for the acquisition, construction, and rehabilitation of capital assets, and (B) Federal expenditures (including tax expenditures) which are for the acquisition, construction, and rehabilitation of the physical assets of State and local governments.

(19) **CAPITAL FINANCING REQUIREMENTS BEFORE INTERFUND TRANSFERS.**—The term “capital financing requirements before interfund transfers” means the difference between capital revenues and capital investments before interfund transfers.

(20) **CAPITAL FINANCING REQUIREMENTS.**—The term “capital financing requirements” means financing requirements before interfund transfers plus or minus interfund transfers.

(21) **UNIFIED BUDGET FINANCING REQUIREMENTS.**—The term “unified budget financing requirements” means the total of the operating surplus/deficit and the capital financing requirements.

SEC. 11303. UNITED STATES BUDGET FOR FISCAL YEAR 1998 AND THEREAFTER.

For fiscal year 1998, and each fiscal year thereafter, the President shall submit only 1 budget of the United States and such budget shall be a unified budget which meets the requirements of section 11302.

SEC. 11304. REVIEW BY COMPTROLLER GENERAL.

The Comptroller General shall review and report to Congress on the implementation of section 11302 as the Comptroller General deems necessary. A review by the Comptroller General may include—

(1) determining whether the actual, estimated, and proposed appropriations, receipts, and investments presented in the capital budget represent activities, functions, and programs which support the acquisition, construction, alteration, and rehabilitation of capital assets;

(2) determining whether the classifications made by the Director of the Office of Management and Budget under section 11302(d)(2)(H) further the purposes of section 11302; and

(3) evaluating, on an annual basis, the value and usefulness of capital investments in the capital account as set forth in section 11302.

Subtitle E—Public Buildings

SEC. 11401. PUBLIC BUILDING TRANSACTIONS.

Section 3 of the Public Buildings Act of 1959 (40 U.S.C. 602) is amended—

(1) by striking “SEC. 3. The Administrator” and inserting the following:

“SEC. 3. ACQUISITION OF BUILDINGS.

“(a) **AUTHORITY.**—The Administrator”; and

(2) by adding at the end the following:

“(b) **LEASES.**—The Administrator is authorized to enter into contracts for the lease-purchase or lease of any building and its site for periods of not to exceed 30 years.

“(c) **CALCULATION OF TRANSACTIONS.**—For purposes of section 1341(a)(1)(B) of title 31, United States Code, the Balanced Budget and Emergency Deficit Control Act of 1985, the Congressional Budget Act of 1974, and the Budget Enforcement Act of 1990 and scorekeeping guidelines, the Office of Management and Budget and the Congressional Budget Office shall score any contract entered into by the Administrator under this Act for the purchase, lease-purchase, or lease of any building and its site in the same manner as if the contract was entered into on September 30, 1990.”.

Conform the table of contents contained in section 2 of the bill accordingly.

On October 28, H.R. 3400 was introduced at the request of the Administration. The purpose of the bill is to implement some of the recommendations of the National Performance Review (NPR) and certain similar provisions. That process began in March when President Clinton announced a six-month review of the federal government and asked the Vice President to lead the effort. Not all of what resulted from the NPR is in H.R. 3400, and some issues which were not the subject of the review are included in the bill.

Because the scope of the proposal is so broad, H.R. 3400 was referred jointly to 17 committees, including the Committee on Public Works and Transportation, for a period not later than November 15.

As introduced, H.R. 3400 contains a relatively small number of provisions that fall under the Committee's jurisdiction. At Full Committee markup an en bloc amendment was adopted that addressed each of these issues as well as proposed other matters specifically addressed in the NPR but not included in H.R. 3400.

WATER RESOURCES

Section 3201 of H.R. 3400 directs the Secretary of the Army to streamline the Army Corps of Engineers by reorganizing the head-quarter offices, reducing the number of division offices, and restructuring the district functions so as to increase the efficiency of the Corps and reduce staff cost.

The Committee adopted an amendment that would direct the Corps to develop a plan to reorganize and to transmit the plan to Congress for approval. The amendment also specifies that the plan shall not be implemented until Congress approves it.

In earlier correspondence on this issue when it first arose, the Committee raised concern about the process by noting: "In this regard, we note that authorization and funding of the Corps' civil works program falls under the jurisdiction of the Committee on Public Works and Transportation." (Letter to Sec. Cheney, March 22, 1991.) The Committee also stated: "In particular, we are concerned that the committee of jurisdiction for the Corps' civil works program will have been excluded from the development and review of a reorganization proposal which will have tremendous implications for our program."

Section 3201 of H.R. 3400, as introduced, still envisions a process which does not require action by this Committee or Congress. The Committee-adopted amendment is to ensure that any reorganization plan be submitted to Congress for approval and that such plan shall not be implemented until Congress approves it.

AVIATION

H.R. 3400, as introduced, includes several provisions which revoke or limit the authorizations for aviation programs. The bill reported by the Committee accepts the need to change these programs, even though they can help develop the aviation system. In a time of fierce competition for the federal aviation dollar, we need to prioritize and limit funding for the less essential programs.

At the same time, the Committee has recommended modifications to H.R. 3400, to preserve some important elements of the programs under review.

First, the reported bill modifies the essential air service program which permits small cities to retain at least a minimal portion of the air service they received before airline deregulation in 1978. The EAS program was substantially modified in this year's DOT appropriations bill, which denied funding for cities which are less than 70 miles from large or medium hub airports, or which require subsidy of more than \$200 per passenger and are less than 210

miles from a large or medium hub. These new requirements will result in a termination of EAS funding for 11 cities.

The Committee has agreed to these standards and the reported bill permanently incorporates them in the EAS program. However, the Committee has decided against taking the further step proposed by H.R. 3400 of imposing standards which would delete from the program all cities which are more than 70 miles from a small hub or require subsidy of more than \$200 per passenger. If these cities are deleted, their citizens will have to drive more than 70 miles, and in some cases more than 210 miles, to get to a large or medium hub airport, the type of airport which gives access to the national air transportation system. The Committee considers these distances excessive.

We should bear in mind that the EAS program is funded from the Airport and Airway Trust Fund. Most of the passengers who pay the ticket tax which supports the Trust Fund use air service at the Nation's larger cities. These passengers have benefited most from the low fares and improved service made possible by airline deregulation. It is equitable to devote a few million of the billions of dollars which passengers contribute to the Trust Fund to help residents of small communities retain some of the air service which they had before deregulation.

As has been indicated, one of the criteria in the reported bill involves a determination of whether LAS service requires subsidy of more than \$200 per passenger. We recognize the potential for abuse in the use of a subsidy per passenger criteria. Whether a community is above or below the \$200 level can often depend on the time period considered and the recent performance of the carrier there. A review of historical subsidy per passenger data shows that costs can vary by more than \$200 from year to year.

Therefore, the Committee cautions the Department of Transportation to apply this criteria in a way that is consistent with the purpose of the EAS program, i.e. preserving air service to small communities. It would be improper for the Department to choose time periods designed to remove the maximum number of communities from the program. Indeed, we would urge DOT to use time periods of more than one year in order to even out fluctuations in per passenger subsidy level. DOT should also consider the quality of the carrier's service in deciding whether a particular per passenger subsidy level is an accurate measure of the need, usage, and value of the service to the community. DOT is not required to terminate service at a city which has required subsidy of more than \$200 per passenger during an historical period if there is a strong showing that service is likely to cost less than \$200 per passenger in the immediate future.

A case in point is Laconia, New Hampshire. The Committee is concerned about the application of the subsidy per passenger criteria there. According to DOT, Laconia qualifies for the program under the distance criteria but is disqualified due to its current subsidy per passenger of \$241.46. This figure was derived using passenger traffic and subsidy data from July 1992 to June 1993. However, during this time period, the air service provided at Laconia was inefficient and poorly run so that \$241 per passenger does not accurately reflect what an efficient carrier could achieve. In

prior years, per passenger subsidy levels at Laconia were substantially below \$200.

Accordingly, the Committee directs DOT to reexamine Laconia's situation and the application of the new eligibility criteria there before making a final decision to remove that community from the EAS program. Specifically, the Committee directs DOT to take into consideration the quality of the air service provided to Laconia during the past year to determine whether \$241.46 represents the true per passenger cost of providing service there. The Committee also directs DOT to consider the ability of the new carrier for the region, Colgan Air, to provide service to Laconia at a rate below \$200 per passenger.

The Committee has also recommended changes in the provisions of H.R. 3400 which deal with aviation education programs. First, the Committee's bill would strike the provision of H.R. 3400 which repeals the authorization for grants to vocational technical institutions for training mechanics for advanced maintenance of airline aircraft. This program has the potential for providing important benefits to aviation and to vocational technical institutions located throughout the country. The program is authorized for funding of only \$20 million over several years. It is premature to deauthorize this program when it has not been given a chance to prove its benefits.

Another provision of H.R. 3400 would totally deauthorize the Collegiate Training Initiative, a program in which FAA enters into agreements with colleges and universities to train persons who wish to become air traffic controllers. We agree with the deauthorization of future subsidy support for these programs and the reported bill so provides. However, we see no reason why we should take the further step of refusing to allow the program to continue in cases in which a college is not asking for a subsidy. In these cases, the program saves the government money by having colleges and universities undergo the expense of training aspiring controllers.

Our informal discussions with the Administration indicate that they did not intend to deauthorize the program in cases in which no funding was required. The reported bill would keep the program in operation, but would not authorize further funding for it.

Finally, the reported bill does not make basic changes in the provisions in H.R. 3400 which deauthorize the airway science program. The reported bill would not prevent FAA from continuing to assist universities in developing airway science curriculum. What would be terminated is additional federal support for buildings and other facilities used in these programs. We agree that these grants are a lower priority program which we can no longer afford. As a practical matter, continuation of this program would mean fewer dollars for airports or the air traffic control system. We cannot afford these reductions.

Our deauthorization of the airway science and collegiate training programs does not prohibit grants from funds which have previously been appropriated, but have not yet been obligated. The Appropriations Committee will deal with these funds when it makes its recommendations on rescission legislation.

PUBLIC BUILDINGS

While H.R. 3400 does not speak to this issue, the NPR also contained several recommendations regarding investing in greater productivity. One recommendation in particular states that "The government should ensure that there is no budget bias against long-term investments" ("Creating A Government That Works Better and Costs Less," Report of the National Performance Review, p. 111).

The scorekeeping rules in the Conference Report accompanying the Budget Enforcement Act of 1990 effectively prevent the General Services Administration from taking advantage of cost-effective alternatives for housing federal agencies. First, GSA is not able to achieve the economies of ownership available in the real estate market justified by the long-term housing requirements of the federal government. Second, GSA cannot always structure its leases in an optimal fashion and, at the same time, satisfy the criteria of an operating lease. "Optimal" means the best financial deal for the government while meeting tenant agencies' long-term requirements.

In the private sector and non-federal public sector, new construction and purchase of buildings are typically financed with borrowed funds, not upfront cash. In addition, capital investment is recorded as a depreciable asset, and expended over its normal life. Federal budget concepts (and scoring rules) treat the cost of a capital investment as a current operating expense. Large capital projects must compete with operating requirements for a total budget availability derived from current federal revenues. There is not recognition of the long-term value of a capital asset; hence, the frequent admonition that federal budget decision-making is biased against capital investment.

Once a decision is made to lease, scorekeeping rules (as opposed to optimal use of resources) can effectively drive the structure and term of the lease. Requiring budget authority for capital leases to be scored upfront can dictate a short lease term to ensure an operating lease or make it difficult to lease at all, when space must be constructed for lease to GSA. The housing requirements of the tenant agencies, and the economies available in the market place, are secondary to scorekeeping rules. In the current real estate market, opportunities exist to negotiate an equity position in rental properties (such as below-market purchase options) on favorable terms. GSA cannot take advantage of such opportunities since scorekeeping rules dictate that a lease with a below-market purchase option is a capital lease.

The General Accounting Office (GAO) issued, in December 1989, a report entitled "Federal Office Space: Increase Ownership Would Result in Significant Savings". GAO analyzed 43 projects that GSA might have undertaken, if capital funding were available, to replace space that GSA would otherwise lease. GAO estimated the cost of constructing the 43 projects to be approximately \$12 billion less than the cost of leasing the same space over a 30-year period. The estimated present value cost savings over the same period amounted to \$1.26 billion.

Since the publication of the GAO report, scorekeeping rules have increased the existing bias in favor of short-term leasing to satisfy housing requirements of federal agencies. The following examples illustrate the impact of budget scorekeeping on real estate decisions.

GSA leases space for a federal agency in the Atrium Building in Herndon, Virginia. The current 10-year lease expires on April 15, 1999. Early in 1991, due to financial difficulties experienced by building owner, GSA received an unsolicited offer from the foreclosing lender. The lender offered a 17.5-year lease with an additional 30,000 occupiable square feet of space and a \$1 ownership option at the end of the lease term. The proposed lease would have cost \$2.7 million less than remaining in the existing lease arrangement for the same 17.5-year term. Scorekeeping rules required that such a lease arrangement be scored upfront. Therefore, GSA chose to forego this financially attractive offer.

A second example is the authorization provided by the Treasury, Postal Service, and General Government Appropriation Act (P.L. 102-393) for GSA to lease a building to be constructed in downtown Atlanta, Georgia. The authorization provides for a lease "not to exceed 27 years", and requires that any purchase option be at fair market value. The Act further provides that the property described herein that is not an "operating lease" in accordance with the Budget Enforcement Act of 1990 and the accompanying Conference Report. This lease authorization was clearly designed to navigate budget scorekeeping requirements and will satisfy a permanent federal housing need in an operating lease as opposed to a more cost-effective housing solution.

GSA has been fortunate that major procurements to date in the NCR, such as the relocation of the National Aeronautics and Space Administration (NASA) to a consolidated leased facility, have predated the scorekeeping requirements of the Budget Enforcement Act. Under current rules, the procurement for NASA would have been scored as a capital lease. Some would argue that these scorekeeping rules drive down the cost of such major leases by preventing GSA from paying a price high enough to "buy" an asset without obtaining budget authority to do so. However, there are a limited number of operating lease solutions to major federal requirements within the NCR. The delays associated with finding them may be costly and may result in housing arrangements for tenant agencies that impede, rather than improve, the efficiency of their operations. Solutions which result in housing a large, single agency requirement in multiple existing buildings can generate additional direct costs through the need for redundant facilities and additional indirect costs by imposing on GSA's client agency the need to coordinate functions housed in different buildings at separate locations.

Scorekeeping rules also preclude cost-saving opportunities by discouraging the search for them. Knowing that below-market purchase options, lease-purchase contracts, and other non-operating lease arrangements are subject to scorekeeping requirements removes all incentive to pursue them. Private sector profitability depends on creative approaches to meeting the primary goals of the organization or firm. Constraints on the operations of government

such as budget scorekeeping focus attention on compliance with rules. However well-intentioned and well-crafted such rules may be, they cannot anticipate specific situations and future market environments. GSA, as indicated by the Atrium and Rich's examples noted above, has diligently complied with rules established by the Budget Enforcement Act. The taxpayer and federal agencies would be better served if these rules had sufficient flexibility to allow GSA to seek and realize opportunities having long-range advantages for both.

The problem of biasing short-term financing over long-term financing has been an issue extensively discussed and analyzed by the Subcommittee on Public Buildings and Grounds relative to the GSA Capital Improvement Program. Thus, the Committee amendment would correct a problem which has been identified and quantified by both GAO and GSA and reaffirmed by the NPR which states "Federal bookkeeping rules discourage government investments." (Ibid.). The amendment would not create new authority for GSA, but merely restores the "pre-1991" lease purchase authority, which the agency effectively used to acquire an equity position in long-term leases. The amendment would correct an unintended consequence of the Budget Enforcement Act of 1990 which clearly biased short-term, more expensive leasing over long-term, equity position leases.

CAPITAL BUDGETING

Another recommendation of the NPR addresses capital budgeting.

For 30 years, the percentage of federal investment in the Nation's physical infrastructure has shrunk, in part because of the manner in which the federal budget treats spending for infrastructure. Under the federal government's current unified budget, no distinction is made between a dollar spent for investing in our Nation's physical infrastructure and a dollar spent to cover day-to-day operating expenses. Yet, the returns on the money spent are vitally different. Although spending for physical infrastructure investments will increase the Nation's wealth and capacity for future economic growth, spending for consumption will not.

One cause of this investment shortfall is the way the federal budget treats spending for infrastructure. Currently, the federal budget accounts for a dollar of investment spending in exactly the same way as a dollar of current operating expenses. That is, money spent for salaries, foreign aid and transfer payment are accounted for in the same way as money spent on highways and other physical infrastructure. Many argue that this method of accounting, which ignores the value of the physical investment that is "bought" by the government, biases pending decisions against physical infrastructure by requiring infrastructure to be paid for all at once rather than over its useful life.

In effect, investment expenditures are treated exactly the same as consumption expenditures by the federal government. Infrastructure investments are not judged on their long-term economic return, but rather on whether all the up-front costs fit within spending caps.

The concept of a federal capital budget is not new. The budget was expanded in the 1950s to include information on investment spending. Reform in the 1980s required even more investment information in the unified budget. Many other industrialized countries employ a capital budgeting system. Most municipalities and states in this country distinguish in some way between spending for capital investments and spending for operating expenses, either through a capital budget or investment account that charges depreciation to the operating budget or by issuing bonds and making payments on an annual basis. Such a system reflects the fact that while undifferentiated borrowing is harmful, borrowing for selected investments such as infrastructure that contribute to long-term economic growth can have economic justification.

To ensure that our government begins to adequately account for the returns of long-term investments, the Committee amendment includes a provision to divide the federal budget into separate capital and operating budgets. Using the capital budget accounting principles required by this amendment, the costs of infrastructure investments will be considered over the course of their useful life. These accounting tools will help us focus on these investments' long-term economic value.

The National Performance Review specifically endorsed this idea. The Report states "The budget should recognize the special nature and long-term benefits of investments in fixed assets through a separate capital budget, operating budget, and cash budget. The separate capital budget will explicitly show expenditures on fixed assets, and will help to steer our scarce resources toward the most economical means of acquisition of the most needed assets." (Ibid).

Subtitle E of the amendment to H.R. 3400 would improve budgetary information by requiring that the unified budget presented by the President contain an operating budget and a capital budget, in addition to the budget submitted under existing law.

Operating and capital budgets would be presented separately for unified funds, general funds, trust funds, and enterprise funds as defined by the amendment. The capital budget would include only major activities, projects, and programs that support the acquisition, construction, alteration, and rehabilitation of physical infrastructure that produces services or benefits for more than five years and has an initial cost of at least \$100,000. It would include roadways and bridges; airports and airway facilities, mass transportation systems; wastewater treatment systems; water distribution delivery and related systems; water resource projects; medical facilities; resource recovery facilities; public structures; space and communications facilities; and strategic petroleum reserves and mineral stockpiles.

For FY1996 and FY1997, the capital and operating budget would be used for informational purposes. Beginning with the FY 1998 budget, the budget would be submitted only in the form proposed by the amendment.

COMMITTEE ACTION AND VOTE

With respect to clause 2(1)(2) (a) and (b) of rule XI of the Rules of the House of Representatives, the Committee, with a majority

present, favorably reported H.R. 3400 as amended (or with an amendment) by a voice vote on November 9, 1993.

OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports the Subcommittee on Investigations and Oversight has held no hearings on the subject of H.R. 3400.

With respect to clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee has not received a report from the Committee on Government Operations pertaining to the subject matter of this legislation.

CONGRESSIONAL BUDGET ACT REQUIREMENTS

With respect to clause 2(1)(3)(B) of rule XI of the rules of the House of Representatives, and in compliance with the Congressional Budget Act of 1974, the Committee reports that H.R. 3400, as amended, contains no direct authorizations of appropriations.

With respect to clause 2(1)(3)(C) of rule XI of the Rules of the House Representatives, a report has not been received from the Congressional Budget Officer.

INFLATIONARY IMPACT ANALYSIS

With respect to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee reports that there should be no inflationary impact on prices and cost in the operation of the national economy by enactment of H.R. 3400.

COST ESTIMATE OF LEGISLATION

With respect to clause 7(a)(1) of rule XIII of the Rules of the House of Representatives, the Committee believes that enactment of the amendments adopted by the Committee would result in significant savings and meaningful reform for the Federal Government.

With respect to clause 7(a)(2) of rule XIII of the Rules of the House of Representatives, the Committee reports that no cost estimate of H.R. 3400 was submitted to the Committee by a government agency.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

FEDERAL AVIATION ACT OF 1958

* * * * *

TITLE III—ORGANIZATION OF AGENCY AND POWERS AND DUTIES OF ADMINISTRATOR

* * * * *

OTHER POWERS AND DUTIES OF ADMINISTRATOR

GENERAL

SEC. 313. (a) * * *

* * * * *

[TRAINING SCHOOLS

[(d) The Administrator]

(d) *TRAINING SCHOOLS.*—

(1) *IN GENERAL.*—*The Administrator* is empowered to conduct a school or schools for the purpose of training employees of the Agency in those subjects necessary for the proper performance of all authorized functions of the Agency. He may also authorize attendance at courses given in such school or schools of other governmental personnel, and personnel of foreign governments, or personnel of the aeronautics industry: *Provided*, That in the event the attendance of such persons shall increase the cost of operation of such school or schools, the Administrator may require the payment or transfer of sufficient funds or other appropriate consideration to offset the additional costs. In providing any training to employees of the Agency or of other agencies of the Federal Government, the Administrator shall be subject to the provisions of the Government Employees Training Act (72 Stat. 327). Funds received by the Administrator hereunder may be credited (1) to appropriations current at the time the expenditures are to be or have been paid, (2) to appropriations current at the time such funds are received, or (3) in part as provided under clause (1) and in part as provided under clause (2).

(2) *COLLEGIATE TRAINING INITIATIVE.*—

(A) *CONTINUATION.*—*The Administrator of the Federal Aviation Administration may continue the Collegiate Training Initiative program, by entering into new agreements, with post-secondary institutions, as defined by the Administrator, whereby such institutions, without cost to the Federal Aviation Administration, prepare students for the position of air traffic controller with the Department of Transportation, as defined in section 2109 of title 5, United States Code.*

(B) *STANDARDS.*—*The Administrator may establish standards for the entry of institutions into such program and for their continued participation in it.*

(C) *APPOINTMENT IN EXCEPTED SERVICE.*—*The Administrator may appoint persons who have successfully completed a course of training in such program to the position of air traffic controller noncompetitively in the excepted service, as defined in section 2103 of title 5, United States Code. Persons so appointed shall serve at the pleasure of*

the Administrator, subject to section 7511 of such title (pertaining to adverse actions). However, an appointment under this subparagraph may be converted from one in the excepted service to a career conditional or career appointment in the competitive civil service, as defined in section 2102 of such title when the incumbent achieves full performance level air traffic controller status, as determined by the Administrator. The authority conferred by this subparagraph to make new appointments in the excepted service shall expire at the end of 5 years from the date of the enactment of this subparagraph; except that the Administrator may determine to extend such authority for 1 or more successive 1-year periods thereafter.

* * * * *

TITLE IV—AIR CARRIER ECONOMIC REGULATION

* * * * *

SEC. 419. SMALL COMMUNITY AIR SERVICE.

(a) ELIGIBLE POINT DEFINED.—

(1) * * *

[(2) LIMITATION ON USE OF PER PASSENGER SUBSIDY.—The Secretary may not determine that a point described in paragraph (1) is not an eligible point on the basis of the per passenger subsidy at the point or on any other basis not specifically set forth in this section.]

(2) RESTRICTIONS ON QUALIFICATIONS AS AN ELIGIBLE POINT.—*To qualify as an eligible point in the 48 contiguous states, Hawaii, and Puerto Rico for purposes of fiscal year 1995 and thereafter, a point described in paragraph (1) must not require a rate of subsidy per passenger in excess of \$200 unless such point is more than 210 miles from the nearest large or medium hub airport and may not be located fewer than 70 highway miles from the nearest large or medium hub airport;*

* * * * *

(1) FUNDING.—

(1) * * *

[(2) AMOUNTS AVAILABLE.—There shall be available to the Secretary from the Airport and Airway Trust Fund to incur obligations under this section \$38,600,000 per fiscal year for each of fiscal years 1992, 1993, 1994, 1995, 1996, 1997, and 1998. Such amounts shall remain available until expended.]

(2) AMOUNTS AVAILABLE.—*There shall be available to the Secretary from the Airport and Airway Trust Fund to incur obligations under this section \$33,423,077 per fiscal year for each of fiscal years 1994 through 1999. Such amounts shall remain available until expended. Unobligated balances that remain available as of September 30, 1994, are rescinded.*

* * * * *

SECTION 362 OF THE DEPARTMENT OF TRANSPORTATION AND
RELATED AGENCIES APPROPRIATIONS ACT, 1993

[SEC. 362. COLLEGIATE TRAINING INITIATIVE.—(a) The Administrator of the Federal Aviation Administration may hereafter continue the Collegiate Training Initiative program, by entering into new agreements, and by maintaining existing agreements, with post-secondary educational institutions, as defined by the Administrator, whereby such institutions prepare students for the position of air traffic controller with the Department of Transportation, as defined in section 2109 of title 5, United States Code.

[(b) The Administrator may establish standards for the entry of institutions into such program and for their continued participation in it.

[(c) The Administrator may appoint persons who have successfully completed a course of training in such program to the position of air traffic controller noncompetitively in the excepted service, as defined in section 2103, of title 5, United States Code. Persons so appointed shall serve at the pleasure of the Administrator, subject to section 7511, of title 5, United States Code (pertaining to adverse actions). However, an appointment under this subsection may be converted from one in the excepted service to a career conditional or career appointment in the competitive civil service, as defined in section 2102, of title 5, United States Code, when the incumbent achieves full performance level air traffic controller status, as determined by the Administrator. The authority conferred by this subsection to make new appointments in the excepted service shall expire at the end of five years from the date of enactment of this Act, except that the Administrator may determine to extend such authority for one or more successive one-year periods thereafter.]

SECTION 3 OF THE PUBLIC BUILDINGS ACT OF 1959

[SEC. 3. The Administrator]

SEC. 3. ACQUISITION OF BUILDINGS.

(a) **AUTHORITY.**—*The Administrator is authorized to acquire, by purchase, condemnation, donation, exchange, or otherwise, any building and its site which he determines to be necessary to carry out his duties under this Act.*

(b) **LEASES.**—*The Administrator is authorized to enter into contracts for the lease-purchase or lease of any building and its site for periods of not to exceed 30 years.*

(c) **CALCULATION OF TRANSACTIONS.**—*For purposes of section 1341(a)(1)(B) of title 31, United States Code, the Balanced Budget and Emergency Deficit Control Act of 1985, the Congressional Budget Act of 1974, and the Budget Enforcement Act of 1990 and scorekeeping guidelines, the Office of Management and Budget and the Congressional Budget Office shall score any contract entered into by the Administrator under this Act for the purchase, lease-purchase, or lease of any building and its site in the same manner as if the contract was entered into on September 30, 1990.*

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